

Response by Audits & Investigations Division to Workgroup question under Costs:

How do we know if the audit system is working?

Audit data to determine whether the system is working on a quantifiable basis could be used to determine that the audit system is working. Audited cost verses reported cost in the initial audit reports is available. Cost after audit appeals is not available and would be necessary to gain a full understanding of the effect of the audit system on the cost of the facility.

To the extent that an opinion has been expressed on the facility specific cost as presented in accordance with Generally Accepted Government Audit Standards in the audit reports; the audit system has met this criteria. Financial Audits Branch (FAB) was included in the Bureau of State Audits (BSA) review of the implementation of AB 1629. BSA's audit report entitled, "Department of Health Services: It Has Not Yet Fully Implemented Legislation Intended to Improve the Quality of Care in Skilled Nursing Facilities" included an extensive review of our audit system from training to audit packages. Two findings were made by BSA related to FAB. FAB has responded to the findings and implemented a change to our audit tracking system to comply with the recommendation put forth by BSA.

FAB is also subject to an annual review by CMS for compliance with Federal Financial Participation requirements.

There are several flaws with the law and rate methodology system, not simply the audit system that should be addressed. Several gray areas exist for which FAB has made interpretations of terms within the bill that do not agree with industry interpretations of the same terms. A large failure of the rate methodology is the inclusion of rate adjustments based on audit appeals being paid outside of the overall cap. Unknown consequences to the general fund have occurred due to this short coming of the system.

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